

**SUMMARY OF PROPOSED FD1:**

**RESOLUTION 17-199, CD1  
REQUESTING THAT THE CITY AUDITOR CONDUCT A FOLLOW-UP AUDIT OF  
THE HONOLULU AUTHORITY FOR RAPID TRANSPORTATION.**

The **PROPOSED FD1** makes the following amendments to the posted CD1:

- A. Adds a BE IT FURTHER RESOLVED clause to state that Council supports the initiation of an independent forensic audit by the Board of the Honolulu Authority for Rapid Transportation to ensure proper and legal use of taxpayers' dollars for the Honolulu High-Capacity Transit Corridor Project.
- B. Makes miscellaneous technical and nonsubstantive amendments.



## **RESOLUTION**

REQUESTING THAT THE CITY AUDITOR CONDUCT A FOLLOW-UP AUDIT OF THE HONOLULU AUTHORITY FOR RAPID TRANSPORTATION.

WHEREAS, the cost of the Honolulu High-Capacity Transit Corridor Project ("Rail Project") has increased from \$5,163,000,000 in June 2012 to a current estimated cost of approximately \$9.5 billion; and

WHEREAS, on May 6, 2015, the City Council ("Council") approved Resolution 15-90, which requested that the City Auditor conduct a performance audit of the Honolulu Authority for Rapid Transportation ("HART"); and

WHEREAS, on April 15, 2016, the City Auditor issued the Audit of the Honolulu Authority for Rapid Transportation ("HART Audit"); and

WHEREAS, the HART Audit made specific findings concerning HART's failure to construct the Rail Project economically, effectively, and efficiently, including:

1. HART's financial plan has not been updated to reflect the Rail Project's current financial condition in spite of significant cost increases;
2. HART has failed to exercise sufficient controls over its financial information to ensure that data is complete and readily available; delay claims are adequately tracked, monitored, and reported; and pending utility agreements, contingency allowance figures, and county general excise and use tax surcharge receipts are complete and accurate;
3. HART's Project Management Plan and Operations and Maintenance Plan are outdated and unreliable as decision making tools;
4. Contract administration controls are needed to assure proper invoice payments and adequate procurement file documentation and to prevent improper payments;
5. Rail Project cost estimates, details, and cost assumptions are unsubstantiated and project cost managers are not managing actual costs against budgeted costs;
6. Project management and contract administration controls can be improved; and



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7. HART paid in stipends to unsuccessful bidders without knowing the bidders' actual costs; and

WHEREAS, the HART Audit made numerous recommendations to address concerns raised in the audit including the following:

1. Regularly update its financial plan to reflect the current financial condition of the Rail Project;
2. Update its Operations and Maintenance Plan to address funding, management, and other transit needs;
3. Develop methods to ensure data used in reports are consistent, accurate, reliable, and can be reconciled among all the reports using the data;
4. Develop a process for tracking and monitoring all costs, including the status of delay claim costs;
5. Support cost estimates with consistent, reliable, and sufficient information;
6. Replace the contract management system ("CMS") with a system that is more user friendly and more appropriate to manage the Rail Project;
7. Use C2HERPS (City enterprise resource planning system) to develop, monitor, track, and report budget, financial, and accounting data;
8. Require project managers to prioritize budget management, compare actual costs to cost estimates, analyze differences, and make adjustments to prevent/minimize cost overruns;
9. Develop and implement written internal policies and procedures that address stipend payments, document unsuccessful bidders' actual costs, determine compensated value, and limit payment to unsuccessful bidders' actual costs or the stipend amount whichever is less; and
10. Develop written policies and update procedures for contract administration; clearly distinguish the roles and responsibilities of managers and administrators; promote increased awareness of procurement and contract administration file record keeping; provide additional training; develop more robust guidance, policies, and procedures that address the variety of contracts and invoices HART



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receives; and standardize the invoice payment process to prevent improper payments; and

WHEREAS, HART stated in HART's response to the audit that most of the recommendations were unnecessary or unwarranted; and

WHEREAS, it is the Council's belief that a follow-up audit must be conducted concerning HART so that the reasons for the Rail Project's cost overruns, specifically the causes of HART's inefficiencies or uneconomical practices, can be determined so that the Council, the City Administration, and the HART Board can take actions to address these issues and prevent a recurrence of such inefficiencies and practices; now, therefore,

BE IT RESOLVED by the Council of the City and County of Honolulu that the City Auditor is requested to conduct a follow-up audit of the Honolulu Authority for Rapid Transportation which will include a review of the following concerns: 1) whether HART's contractors fulfilled their obligations in an economical, effective, and efficient manner; 2) whether the expenditures charged to HART by the contractors were valid and accurate; 3) whether HART has implemented the project management and contract administration controls over the contractors needed to prevent cost overruns for the rail project; and 4) whether HART addressed the concerns raised and followed the recommendations made in the HART Audit; and

BE IT FURTHER RESOLVED that the Council also supports the initiation of an independent forensic audit of HART's operations and contract awards and administration to be conducted by an independent auditor to be selected and paid for by the Board of the Honolulu Authority for Rapid Transportation, to ensure proper and legal use of taxpayers' dollars for the Honolulu High-Capacity Transit Corridor Project; and



# CITY COUNCIL

CITY AND COUNTY OF HONOLULU  
HONOLULU, HAWAII

No. 17-199, CD1, FD1

## RESOLUTION

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BE IT FINALLY RESOLVED that copies of this resolution be sent to the Mayor, the Managing Director, the Executive Director and Chair of the Board of the Honolulu Authority for Rapid Transportation, and the City Auditor.

INTRODUCED BY:

Trevor Ozawa

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DATE OF INTRODUCTION:

July 20, 2017  
Honolulu, Hawaii

Councilmembers